

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 109
SPONSOR(S): Baxley
TIED BILLS:

Fees Imposed on Tire and Battery Sales
IDEN./SIM. BILLS: SB 786

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Environmental Regulation Committee	6 Y, 0 N	Kliner	Kliner
2) Finance & Tax Committee		Levin	Diez-Arguelles
3) Agriculture & Environment Appropriations Committee			
4) State Resources Council			
5) _____			

SUMMARY ANALYSIS

The bill creates an exemption for the retail seller of tires or batteries from paying the \$1.00 fee imposed on the retail sale of any new motor vehicle tire and from the \$1.50 fee imposed on the retail sale of any new or remanufactured lead acid battery that is sold to a governmental entity. This has the effect of exempting government sales of these items from the fees, since the fee is passed on to the user.

Revenues to state government from these fees would be decreased. Revenue loss to the Solid Waste Management Trust Fund (tire fee) will be \$0.3 million annually. Revenue loss to the Water Quality Assurance Trust Fund (battery fee) will be \$0.1 annually. State, county, city, school board, and special district governmental entities would no longer have to pay these fees, thereby decreasing expenditures.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Lower Taxes: Those persons selling batteries and tires to state, county, city, school board and special district governmental entities would be exempt from those tire and battery disposal fees.

B. EFFECT OF PROPOSED CHANGES:

Present Situation

General

The Department of Environmental Protection (DEP) regulates the collection, storage, transportation, and disposal of solid waste that, due to the quantity, concentration, or physical characteristics, may be hazardous to humans and the environment, through Part IV of Chapter 403, Florida Statutes. Two such waste products include motor vehicle tires and lead-acid batteries.

Vehicle Tires

The DEP's Waste Tire Management Program has several components: a regulatory program that addresses how waste tires can be moved, stored, processed, used, or disposed of; an abatement or cleanup program that assists in cleaning up illegal tire piles; and a market development program that works with potential end users for waste tires. In addition, there is a waste tire grant program that distributes funding to counties to assist them in local waste tire management efforts. "Waste tire" means a tire that has been removed from a motor vehicle and has not been re-treaded or re-grooved. "Waste tire" includes used tires and processed tires.

The bill creates an exemption for the retail seller of tires or batteries from paying the \$1.00 fee imposed on the retail sale of any new motor vehicle tire and from the \$1.50 fee imposed on the retail sale of any new or remanufactured lead acid battery that is sold to a governmental entity. This has the effect of exempting government sales of these items from the fees, since the fee is passed on to the user.

Lead-Acid Batteries

According to the DEP's Annual Hazardous Waste Management Needs Assessment Report dated January 1, 2003, lead-acid batteries contain a liquid acid electrolyte and are prohibited from disposal in landfills or municipal waste combustors, s. 403.708, Florida Statutes. Battery retailers are also required to take back spent batteries as trade-ins. In addition, some scrap dealers buy back spent lead-acid batteries, and county programs accept these batteries at solid waste/household hazardous waste facilities and collections. A mature, close-looped recycling infrastructure that is driven by economic incentives within the lead-acid battery industry and convenient collection locations ensures that nearly all lead and plastic casings that are reclaimed from recycled batteries are used to make new batteries. According to the Battery Council International website "...the typical new lead-acid battery contains 60 to 80 percent recycled lead and plastic."¹ The recycling rate for vehicular lead-acid (VLA) batteries has been estimated by the U.S. Environmental Protection Agency to be nearly 97 percent nationally since 2000.

¹ <http://www.batterycouncil.org/recycling.html>

Section 403.7185, Florida Statutes, requires retail sellers of batteries to pay a \$1.50 fee on the retail sale of any new or remanufactured lead acid battery sold. The fee which is passed on to the user is then remitted to the DOR. The DOR deducts its administrative expenses and then deposits the remainder into the state's Water Quality Assurance Trust Fund.

According to a representative from the Department of Management Services (DMS), the state contracts with manufacturers to meet the state's tire and battery replacement needs. The cost of fees, such as the waste tire and waste battery fee, are figured into the contract's terms. Therefore, the tire and battery sellers are responsible for the disposal fee that is submitted to the DOR, which is not paid by the state entity when the tires or batteries are replaced. In a sense, the fee is paid twice; once by the state in its contract with the manufacturer, and again by the retail seller, however, the only monies that are sent to the Trust Funds are those paid in by the retail sellers. According to the DMS representative, some sellers have charged the fee anyway, which resulted in a "double payment" of that particular fee.

Effect of Proposed Change

The bill creates an exemption for the retail seller of tires or batteries from paying the \$1.00 fee imposed on the retail sale of any new motor vehicle tire and from the \$1.50 fee imposed on the retail sale of any new or remanufactured lead acid battery that is sold to a governmental entity. This has the effect of exempting government sales of these items from the fees, since the fee is passed on to the user.

Revenues to state government from these fees would be decreased. Revenue loss to the Solid Waste Management Trust Fund (tire fee) will be \$0.3 million annually. Revenue loss to the Water Quality Assurance Trust Fund (battery fee) will be \$0.1 million annually. State, county, city, school board, and special district governmental entities would be exempt from these fees, decreasing expenditures by these governmental entities.

C. SECTION DIRECTORY:

D. Section 1: Amends s. 403.718, Florida Statutes. The bill creates an exemption for the retail seller of tires or batteries from paying the \$1.00 fee imposed on the retail sale of any new motor vehicle tire sold to a governmental entity. This has the effect of exempting government sales of these items from the fees, since the fee is passed on to the user.

Section 2: Amends s. 403.7185, Florida Statutes. The bill creates an exemption for the retail seller of batteries from paying the \$1.50 fee imposed on the retail sale of any new or remanufactured lead acid battery that is sold to a governmental entity. This has the effect of exempting government sales of these items from the fees, since the fee is passed on to the user.

Section 3: Provides an effective date of July 1, 2005.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

<u>State Funds:</u>	<u>FY 2005 - 2006</u>	<u>FY 2006 - 2007</u>
General Revenue	(Insignificant)	(Insignificant)
Solid Waste Management TF	(\$0.3 m)	(\$0.3 m)
Water Quality Assurance TF	<u>(\$0.1 m)</u>	<u>(\$0.1 m)</u>
Total State Impact	(\$0.4 m)	(\$0.4 m)

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

A \$0.4 million decrease in state and local government annual expenditures for the fees for the purchase of motor vehicle tires and new or remanufactured lead acid batteries is anticipated. Data is not available in sufficient detail to estimate what portion of this expenditure decrease would accrue to state versus local governmental entities.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

This bill results in a decrease in annual revenues from tire and battery fees to the Solid Waste Management Trust Fund and the Water Quality Assurance Trust Fund, which may reduce funding available for programs.

According to the DEP, revenues to state government from these fees would be decreased. State, county, city, school board and special district governmental entities would be exempt from these fees, thereby decreasing expenditures by these governmental entities. Revenue loss to the Solid Waste Management Trust Fund (\$0.3 million) is minimal in terms of overall fund revenues. Revenue loss to the Water Quality Assurance Trust (\$0.1 million), while also minimal, represents a revenue loss in a fund where the unobligated balance is relatively low.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The mandates provision of the State Constitution is not applicable because: this bill does not require cities or counties to spend funds or take actions requiring the expenditure of funds; reduce the authority that cities or counties have to raise revenues in the aggregate; or reduce the percentage of a state tax shared with cities or counties.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

No additional rulemaking authority is required to implement the provisions of this bill.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

None.